

# School Construction Update

*Presentation to the Mayor, Council and  
Board of Education of the City of Paterson*

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# Introduction

- **Presentation will highlight the following:**
  - ✓ Reform Efforts – New Management & Cost Recovery Efforts
  - ✓ Project Life Cycle – Pre and Post 2006
  - ✓ Need for Legislative Action
  - ✓ Project Deferment
  - ✓ Projects Completed to Date – Paterson & Statewide

# History

- **SCC has undergone a great evolution of reform**

- ✓ **April 2005:** Inspector General issues first report saying SCC is "vulnerable to mismanagement, fiscal malfeasance, conflicts of interest and waste, fraud and abuse of taxpayer dollars..."
- ✓ **December 2005:** Inspector General issues follow-up report saying the SCC lacked "an overall coordinated plan to enable Design and Construction to efficiently build schools..."
- ✓ **January 2006:** Inspector General issues update report saying the new leadership is implementing recommendations, therefore, the SCC should be "able to resume spending on new construction projects."
- ✓ **December 2006:** In a statement announcing the assignment of two SCC Inspector Generals, Inspector General says, ***"SCC's new leadership has demonstrated a strong commitment to the efficient use of state funds to build schools by implementing internal controls, restructuring the organization, and hiring knowledgeable and experienced staff..."***

# SCC Reform Efforts - 2006

## ***Transparent and Ethical Behavior***

- Posted Board memos, agenda, and minutes online
- Hired KPMG to conduct internal audit function
- Two SCC Inspector Generals on site
- Strengthened ethics program by providing all employees with Code of Conduct/ Code of Ethics; new employee ethics training; Requiring employees to complete Conflict of Interest Questionnaire and receive regular ethics training

## ***Fiscal Responsibility***

- Pursuing cost recovery opportunities resulting from architect/ engineer design errors or omissions
- Seeking reimbursement for monies spent to clean polluted sites
- Established an internal legal function staffed by experienced construction attorneys
- Reduced the number of open change orders by 50% since March

## ***Strong Project Management & Administration***

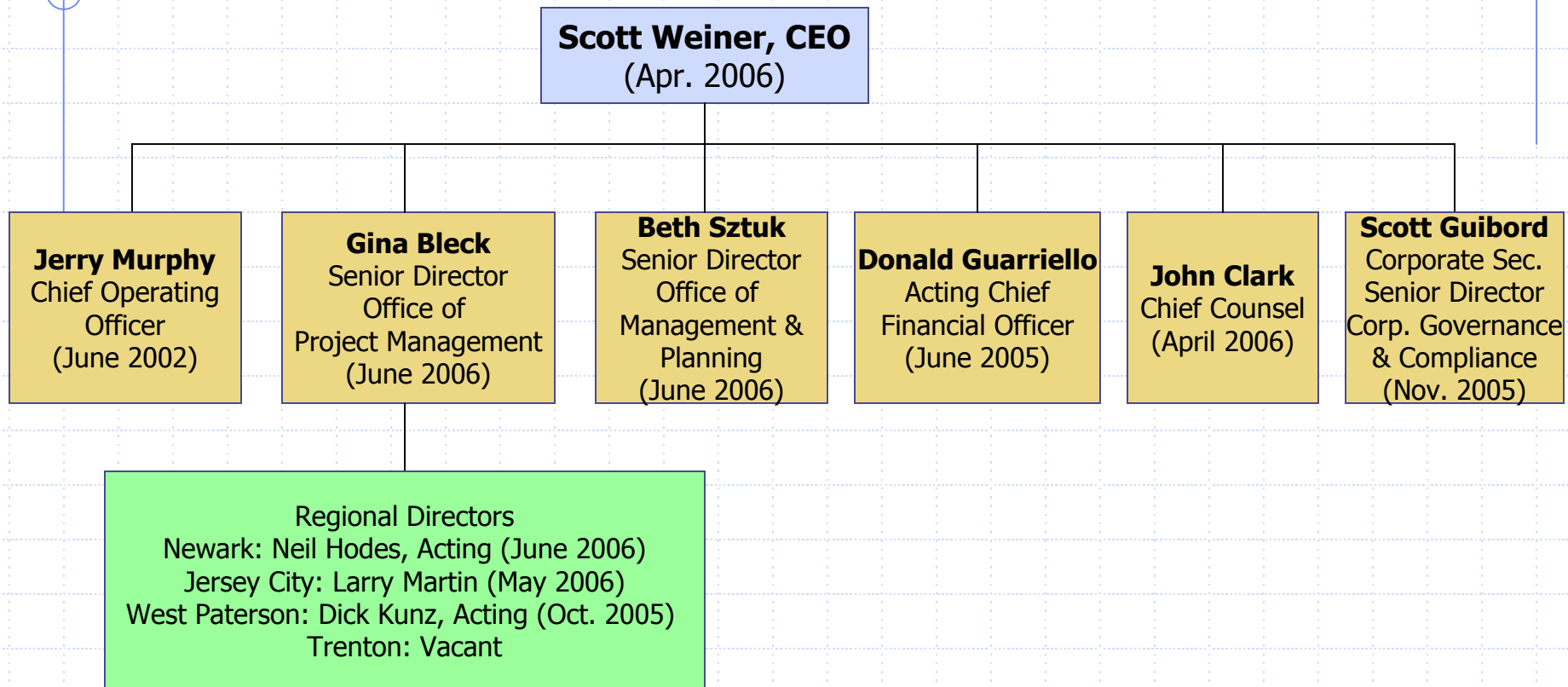
- Implemented use of "on-call" demolition contract
- Utilizing prioritization methodology to sequence projects based on educational factors
- Created Division of Management & Planning to develop strategic and capital plans
- Established process for project forecasting, including inflation factors; Established holistic project budgets
- Preventing institutionalized waste by revising inadequate contract provisions, ensuring strong management of projects, and providing for effective management of contracts
- Hired experienced construction and real estate professionals
- Discontinued practice of bidding on incomplete designs and effectively eliminating the opportunity for project scope to change during design or construction

## ***Efforts in Progress***

- Scheduling monthly in-house training for Project Management Staff
- Implementing a new process to capture and disseminate "lessons learned"
- Implementing a fully integrated information system that will track project budgets and schedules in real-time
- Reviewing and renegotiating PMF contracts; Seeking additional project delivery options
- Implementing a protocol for the evaluation of 3rd parties, contractors and PMFs

# New Management

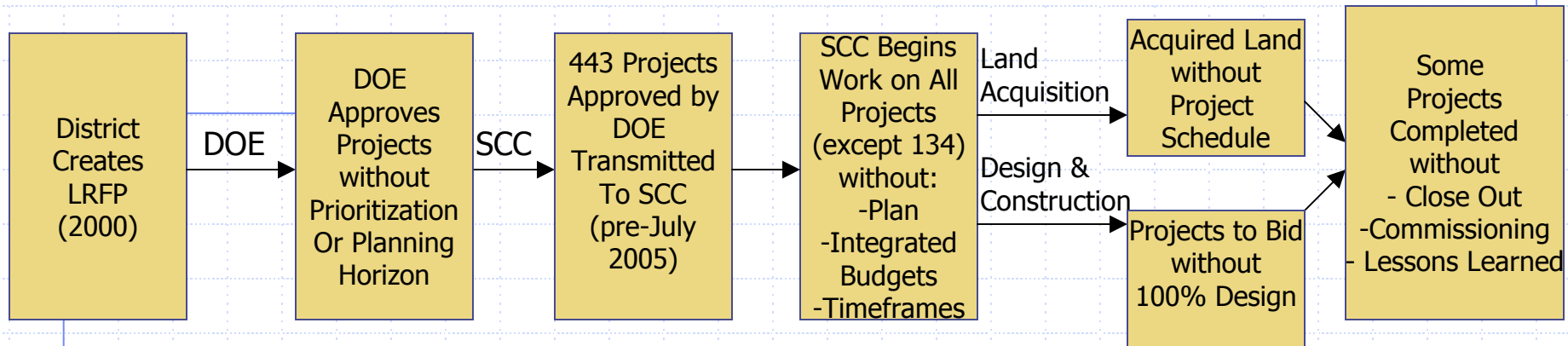
- **SCC's senior management has undergone an almost complete turnover**



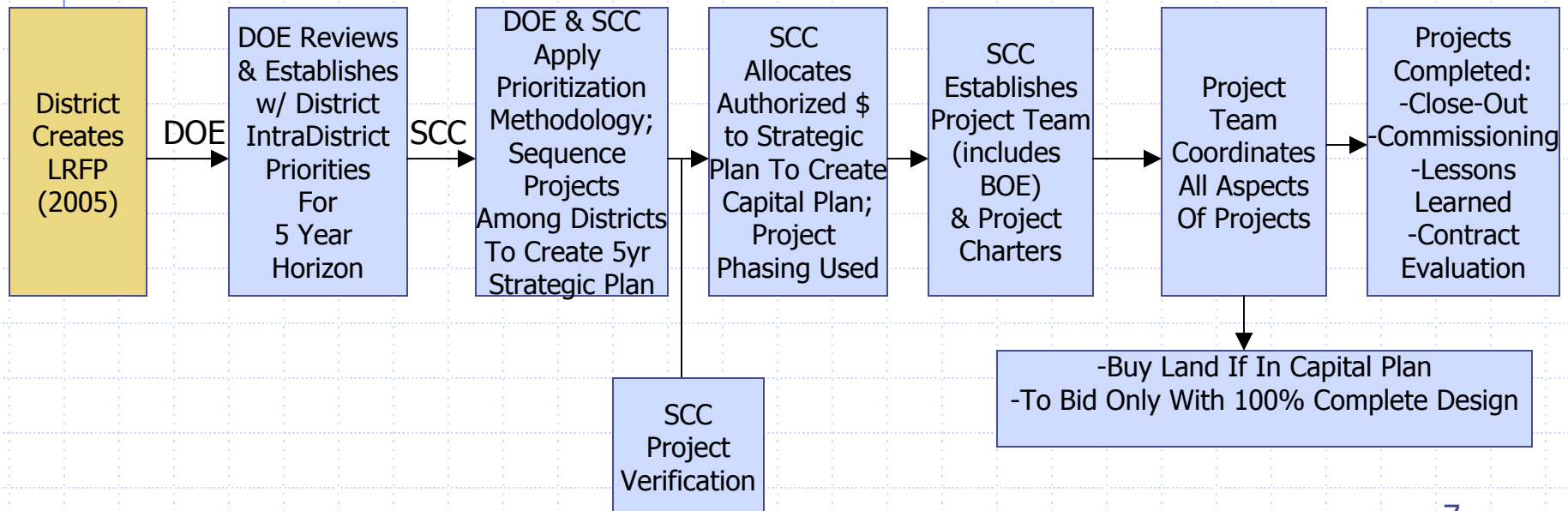
# Cost Recovery Efforts

- **SCC is actively pursuing cost recovery opportunities**
  - ✓ Lawsuit filed by Attorney General to recover costs incurred by the SCC during the clean-up of the School #30 site in Elizabeth. SCC has incurred approximately \$885,000 in costs related to the site clean-up.
  - ✓ Lawsuit filed by Attorney General to recover more than \$3.5 million in costs incurred by the SCC to repair structural and design defects due to design errors found in the Mount Vernon Elementary School Project in Irvington.
  - ✓ The SCC will be asserting a liquidated damage claim against the contractor for Science Park High School in Newark this week.
  - ✓ Continue to coordinate with the Attorney General to announce additional cost recovery suits toward the end of Feb/ early March.

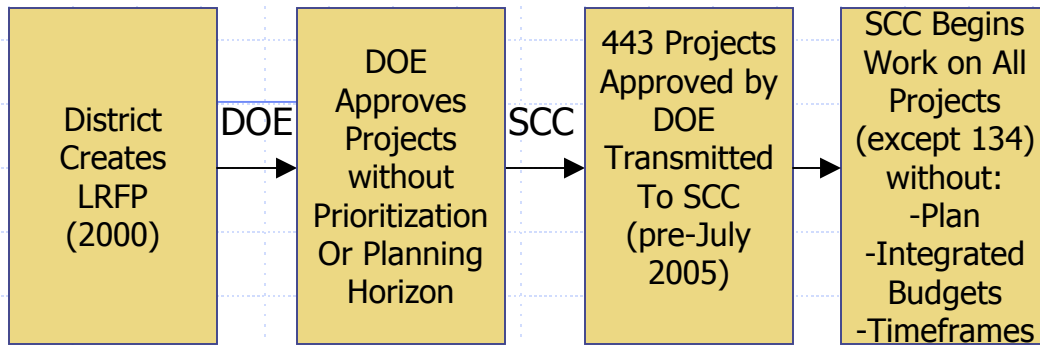
# Project Life Cycle: Pre-2006



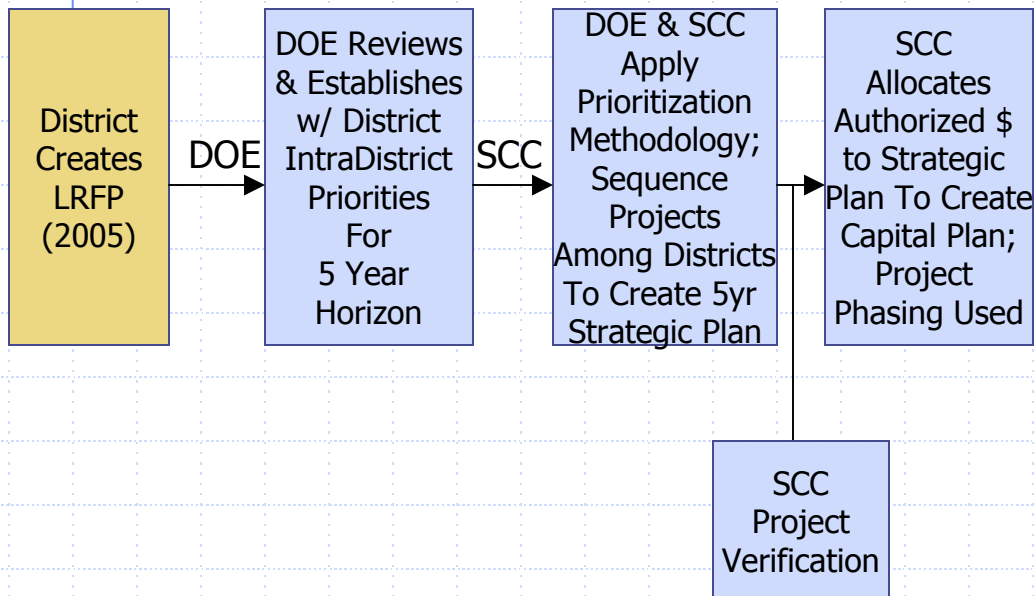
# Project Life Cycle: Post-2006



# Project Planning: Pre-2006



# Project Planning: Post-2006

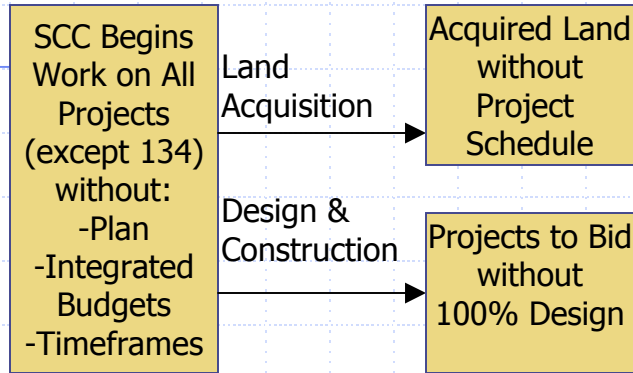


## IMPLICATIONS AND CONSEQUENCES

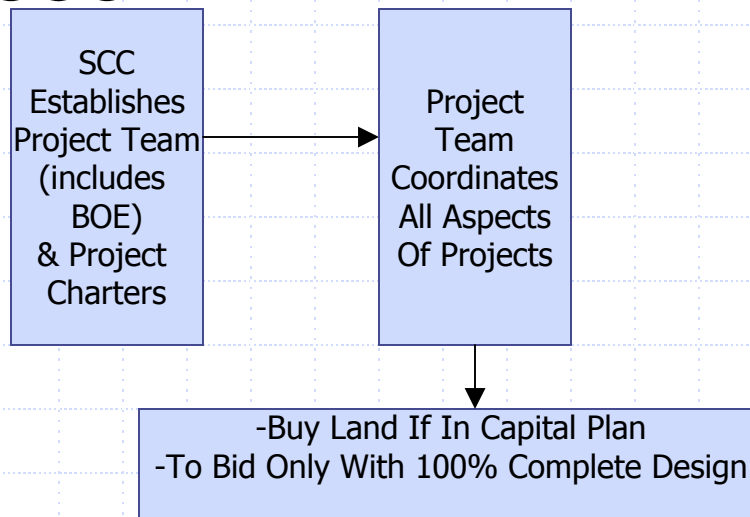
- No prioritization resulted in 315 unfunded projects approved by DOE
- Lack of strategic and capital planning resulted in hundreds of millions of dollars allocated to projects not advancing
- No holistic project budgets led to not knowing the full cost of projects at start
  - ✓ Costly inefficiencies due to lack of integrated project management
- No project verification activities – Full scope of project not verified; Results in change orders and inefficient project planning
  - ✓ i.e.: Health and safety work snowballed into larger projects



# Design–Pre-Construction: Pre-2006



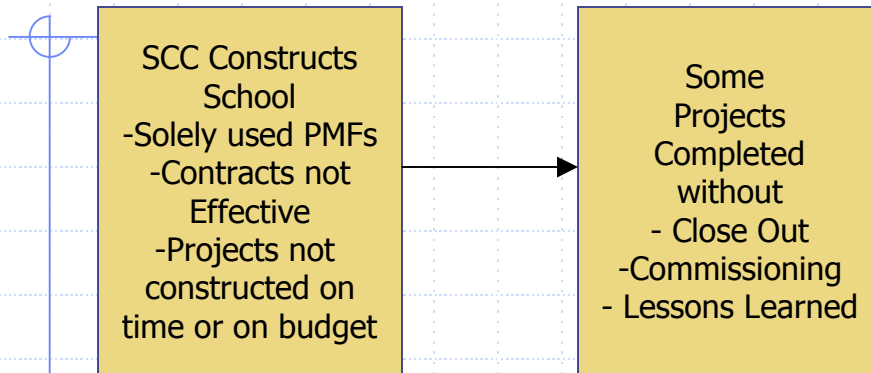
# Design–Pre-Construction: Post-2006



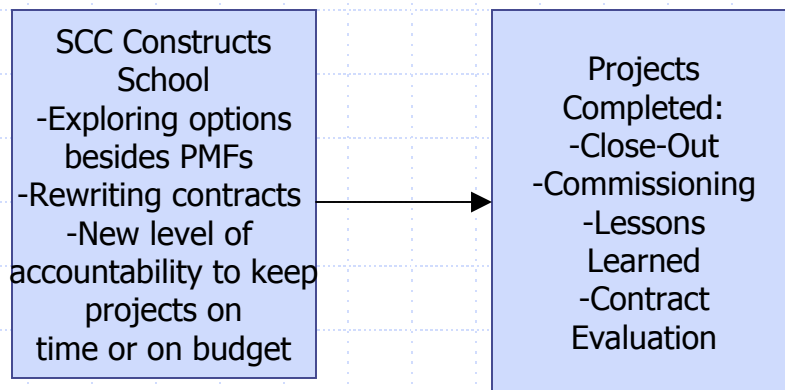
## IMPLICATIONS AND CONSEQUENCES

- Acquired land without project schedule
  - ✓ 260 parcels of land worth approximately \$97M for deferred projects
- Without development moratoriums, land speculation drove-up costs of land by tens of millions of dollars
- Change order rate before Sept. 2005 was 50% higher, costing tens of millions
  - ✓ Reduction significantly due to bidding projects with complete design documents

# Construction & Close-Out: Pre-2006



# Construction & Close-Out: Post-2006



## IMPLICATIONS AND CONSEQUENCES

- Lacked cost-effective contracts – currently being rewritten
- Used costly PMF model for construction management – now pursuing other options
- No accountability to keep projects on time and on budget
- ✓Implementing Primavera management tool
- Failed to capture lessons-learned
- Failed to close-out projects

# Construction Need Exists Statewide

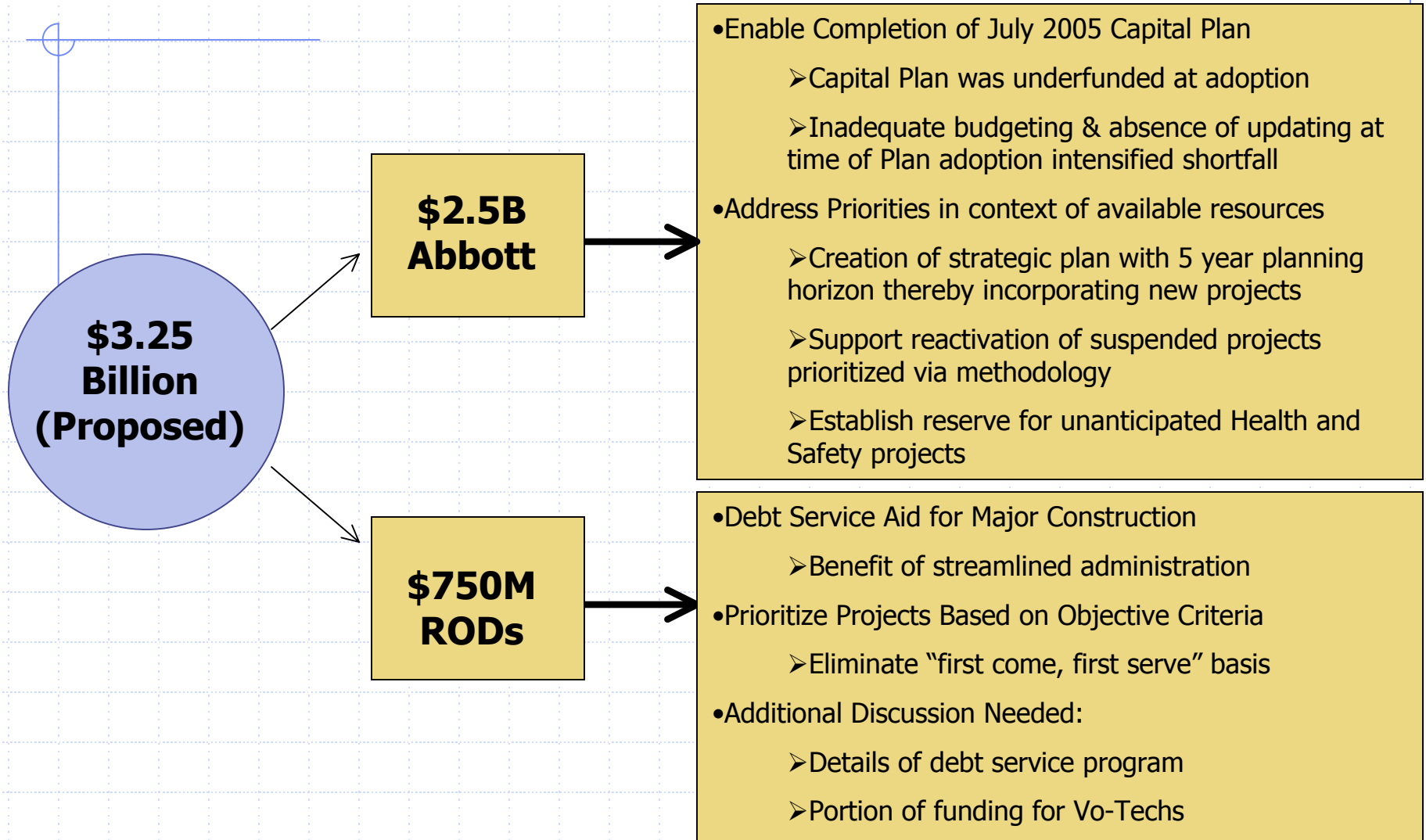
## Abbott Districts

- ✓ 315 unfunded school construction projects that were approved by DOE based on the 2000 LRFPs
- ✓ If construction on the 315 projects began in January 2006, the total cost would have been in excess of \$12 billion to complete those projects
- ✓ Calls for multiple staged program planning and funding

## Regular Operating and Vocational School Districts

- ✓ Need exists for non-Abbott districts
- ✓ Since September 2005, 71 referendum have passed totaling \$929 million; state share would be \$286 million
- ✓ There is a long-term need for school funding

# Recommending additional \$3.25B



# Need for Legislative Amendments

- **New State Authority for School Construction**

- ✓ Enhance governance and focus Board expertise on school construction

- **Increased District Role and Accountability**

- ✓ Authorize districts to manage a projects such as capital maintenance projects
- ✓ Allow qualified districts to assume full responsibility for the design and construction of projects; develop criteria to evaluate capacity; and assist in capacity building

- **Streamlined and Collaborative Project Approval Process**

- ✓ Approval for projects will be based on a collaborative review conducted by DOE, SCC and DCA, district and municipal stakeholders

- **Expanded Land Acquisition Options**

- ✓ Involvement of districts/ municipalities in identifying and acquiring land
- ✓ Use of development moratoriums to prevent land speculation
- ✓ Incorporation of school sites into Master Plans

- **Multiple Project Delivery Methods**

- ✓ Expressly provide for a variety of procurement options to build schools including: design-build, at-risk construction manager, and public/ private partnerships (Build-Own-Operate-Transfer BOOT)

# Enhancing Collaboration Between BOE's and Municipal Governing Bodies

## •Proposed Legislation: Increase Collaboration between Districts and Municipalities In Site Identification/ Selection

- ✓Requesting the incorporation of school sites into Municipal Master Plans
- ✓Want municipalities and districts to work together to identify sites for schools
- ✓For information purposes only, create an inventory of all municipal/ district-owned sites suitable for schools

## •Proposed Legislation: Provide Balance Between Need for Ratables and Schools

- ✓Seeking the use of public/private partnerships so municipalities can meet the need for ratables and schools; municipalities should be able to sell or transfer development rights from the school to a developer
- ✓Seeking capability to sell air rights above schools
- ✓Want municipalities to be allowed to impose impact fees on developers to offset state school construction costs
- ✓Requesting a freeze on municipal development approvals for 120 days after land is identified as a potential school site

# Need for Legislative Action

- **Consequences of Inaction**

- ✓ Lose the opportunity for effective capital planning
- ✓ Projects in existing Capital Plan will be deferred
- ✓ Projects in new LRFPs will not commence and priority projects will not advance to the next stage
- ✓ Delay creates additional inflationary impact
- ✓ Neighborhood revitalization is further delayed
- ✓ Districts lack the authority to manage capital maintenance projects themselves
- ✓ Land acquisition costs are inflated due to lack of moratorium on development, like that at DOT
- ✓ Lose the opportunity for enhanced governance

# Project Deferment

- **SCC will need to defer projects without funding authorization**
  - ✓ Structural deficit when July 2005 Capital Plan was adopted
    - ✓ An estimated \$500 million shortfall existed due to a lack of accurate project cost data
    - ✓ Further exacerbated by inflation, project delays, contractor premiums and emergent projects
  - ✓ Deficit is now approximately \$600M
  - ✓ We must manage the deficit to ensure all projects in construction are completed
  - ✓ Approach and Timeframe: Advance as many projects as possible
    - ✓ If and when new funding is available projects will be ready to go into ground
    - ✓ Review options and scenarios in the spring
- **Does not mean the school construction program will be “shutting down”**



# Work Completed to Date - Statewide

**600**

Abbott Projects  
Completed

- Of the 600 Abbott projects, 30 were new construction and 51 were substantial additions/ renovations/ rehabilitation projects

**354**

Health & Safety  
Projects Completed

- Of the 600 completed Abbott projects, 354 were necessary Health and Safety projects

**9**

Stand-alone  
ECC's Completed

- Of the 600 completed Abbott projects, 9 were stand-alone early childhood centers to help meet the State's pre-K mandate
- SCC also completed 3 additions to elementary schools whose primary use is for pre-K students and 7 new elementary schools containing pre-K classrooms

**5**

Demonstration  
Projects Underway

- Commenced construction activities on five of the six Demonstration Projects
- Special school construction projects that contain community design features intended to spur economic revitalization.
- These projects are estimated to cost upwards of \$543 million.

**1,429**

Schools in Regular  
Operating Districts  
Benefited

- Executed over 2,550 grants worth \$2.2B.
- Grants benefited 1,429 schools in 472 districts
- Approximately 80% of RODs received SCC grants

# Work Completed to Date - Paterson

- SCC has completed 45 projects worth \$207.8M

<i>School Name</i>	<i>School Type</i>	<i>Project Type</i>	<i>Construction Type</i>	<i>Construction Cost: Paid To Date</i>
Rosa Parks Arts H.S.	High School	Health & Safety	Rehab of Existing Facility	\$2,570,453.00
John F. Kennedy H.S.	High School	Health & Safety	Rehab of Existing Facility	\$10,509,118.96
John F. Kennedy H.S.	High School	School Facility Project	New Construction	\$1,032,721.00
Eastside H.S.	High School	Health & Safety	Rehab of Existing Facility	\$5,146,579.50
Eastside H.S.	High School	School Facility Project	New Construction	\$1,180,533.00
Dale Avenue E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$6,406,343.00
Kilpatrick E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$434,351.41
Number 2 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$4,541,382.25
Number 2 E.S.	Elementary School	School Facility Project	Rehab of Existing Facility	\$57,305.00
Number 3 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$2,173,963.55
Number 4 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$5,348,951.29
Number 5 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$7,338,008.91
Number 6 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$9,106,540.53
Number 7 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$4,793,926.07
Number 8 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$4,065,809.10
Number 9 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$4,300,979.00
Number 10 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$4,249,305.00
Number 11 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$3,635,131.00
Number 12 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$6,042,523.00
Number 13 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$6,822,184.25
Number 14 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$861,534.55
Number 15 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$6,441,974.00

# Work Completed to Date - Paterson

<i>School Name</i>	<i>School Type</i>	<i>Project Type</i>	<i>Construction Type</i>	<i>Construction Costs: Paid To Date</i>
Number 16 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$743,124.00
Number 17 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$2,478,305.29
Number 18 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$8,693,421.69
Number 18 E.S.	Elementary School	Other	Temporary Classroom Unit	\$11,333.33
Number 19 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$1,208,954.88
Number 20 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$6,904,272.75
Number 21 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$4,041,396.07
Number 24 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$6,137,445.00
Number 25 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$5,428,175.50
Number 26 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$6,236,939.00
Number 26 E.S.	Elementary School	Other	Temporary Classroom Unit	\$11,333.33
Number 27 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$3,555,061.74
Number 27 E.S.	Elementary School	Other	Temporary Classroom Unit	\$11,333.34
Number 28 E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$4,108,858.30
Martin Luther King E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$7,945,982.00
Roberto Clemente E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$2,133,695.07
Norman S. Weir E.S.	Elementary School	Health & Safety	Rehab of Existing Facility	\$883,873.00
Norman S. Weir E.S.	Elementary School	School Facility Project	Rehab of Existing Facility	\$800,740.99
P.S. #26.1 Young Par. Prog.	Elementary School	Health & Safety	Rehab of Existing Facility	\$69,287.00
Sage School	High School	Health & Safety	Rehab of Existing Facility	\$254,883.00
New Roberto ClementeES/ K-1 Center	Elementary School	School Facility Project	New Construction	\$31,272,141.26
Don Bosco Academy	High School	School Facility Project	Rehab of Existing Facility	\$5,880,472.39
PANTHER Academy	High School	School Facility Project	New Construction	\$12,009,401.99

# Projects in Capital Plan - Paterson

<i>Status</i>	<i>School</i>	<i>School Type</i>	<i>Construction Type</i>	<i>Anticipated Completion Date</i>	<i>Anticipated Total Completion Costs</i>
Construction	Number 24 E.S.	Elementary School	Addition To Existing Facility	10/30/07	\$29,100,000
Construction	International High School Academy (new)	High School	New Construction	7/31/08	\$59,000,000

<i>Status</i>	<i>School</i>	<i>School Type</i>	<i>Construction Type</i>	<i>Anticipated NTP Date</i>	<i>Educational Priority</i>	<i>Anticipated Total Completion Costs</i>
Design	Number 25 E.S.	Elementary School	Addition To Existing Facility	September 2007	OC no ECC	\$27,700,000
Design	New Elementary School at Marshall & Hazel & Bridge	Elementary School	New Construction	July 2007	OC no ECC	\$54,400,000
Design	New Roberto Clemente ES: K-1 Center	Elementary School	Rehab of Existing Facility	January 2008	OC no ECC	\$3,290,000

\*\* There are 22 Paterson projects from the 2000 LRFP unfunded in the 2005 Capital Plan